



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 24, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
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First District

YVONNE BRATHWAITE BURKE
Second District

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Third District

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Fifth District

**MOTION TO OPPOSE AB 1690 (LENO) – LOCAL PERSONAL INCOME TAXES
(ITEM NO. 30, AGENDA OF JUNE 24, 2003)**

Item No. 30 on the June 24, 2003 Agenda is a motion by Supervisor Knabe to oppose AB 1690 (Leno), and send a five-signature letter to the State Senate members of the County's Legislative Delegation.

As amended on June 2, 2003, AB 1690 would authorize a city or county to form a "public safety finance agency" to provide additional funding for fire protection, police or sheriff services and/or capital improvements, and further authorize a local government that does so to levy a local income tax for general purposes, subject to approval by a majority of voters. In addition, the sponsoring local government would be required to transfer property tax revenue equal to 50 percent of the estimated local income tax collection to the agency.

Under AB 1690, the proposed public safety finance agency would be created by ordinance, and be required to distribute 40 percent of its property tax revenues to fire protection services, 40 percent to police and sheriff services, and 20 percent subject to a written agreement between the chief fire official and the sheriff or police chief.

The bill does not specify a membership for the new agency nor establish any managerial, programmatic, or reporting requirements. Additionally, the bill is unclear with respect to county-city service contracting arrangements and it appears that each participating city and county would need to establish a new public safety finance agency. In Los Angeles, this could create large scale jurisdictional complexity and increased costs for the County Auditor-Controller to manage the property tax allocations. The bill provides that such increased costs would be a reimbursable State mandate.

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AB 1690 specifies that the local personal income tax would be collected by the Franchise Tax Board as a percent of an individual's state tax liability. The bill states that rates cannot exceed 2 percent for counties, 8 percent for cities, and 10 percent for a city and county (San Francisco). It is not clear in the bill whether the 2 percent rate applies countywide or is limited to unincorporated areas.

Based on income tax returns for the 2000 tax year, a 2 percent income tax in Los Angeles County would raise approximately \$165 million in new revenue. While the new income tax would technically be a general purpose tax, only one-half of the new revenue would be available for general purposes because of the requirement to transfer property tax revenues an amount equal to one-half of the new income tax revenues to the public safety finance agency.

The author and proponents of AB 1690 contend the bill will provide local governments a way to generate revenue to maintain essential public services, but only if voters approve. AB 1690 is sponsored by the California Professional Firefighters and supported by numerous fire-related organizations.

Opponents contend that a local income tax is a bad precedent and that local government already has ways, such as the local sales tax, to finance critical services such as police and fire protection. AB 1690 is opposed by the California Chamber of Commerce, and the Howard Jarvis Taxpayers Association.

The Sheriff supports AB 1690 because it will provide a potential source of new revenue for local public safety services if State budget reductions force cuts in the County's budget. While the State Legislative Agenda supports increased funding for public safety services and the Board has supported proposals that include a local option, the Board has considered revenue proposals, such as local option alcohol tax authority, on a case by case basis. **Therefore, a position on AB 1690 is a matter for Board policy determination.**

AB 1690 passed the Assembly on June 2, 2003 by a vote of 41 to 35, and it is now in the Senate awaiting assignment.

DEJ:GK
MAL:JF:ib

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services